

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Global Plus 1D
Negotiated Service Agreements

Docket No. CP2018-254

PUBLIC REPRESENTATIVE COMMENTS ON REQUEST OF
THE UNITED STATES POSTAL SERVICE TO ADD FUNCTIONALLY EQUIVALENT
GLOBAL PLUS 1D NEGOTIATED SERVICE AGREEMENTS

(June 20, 2018)

INTRODUCTION

The Public Representative hereby provides comments pursuant to the Commission's notice initiating these dockets.¹ In this notice, the Commission established the above referenced docket to consider matters from interested persons, including the undersigned Public Representative, on the Postal Service's intent to have a contract included within the Global Plus 1D product on the grounds of functional equivalence to a previously approved baseline agreement.²

Previously the Commission authorized the addition of the Global Plus 1D product to the competitive product list and determined that the Global Plus 1D contract filed in Docket No. CP2016-193 should be included within the product.³ The Commission determined that individual Global Plus 1D contracts may be included in the Global Plus 1D product if they are functionally equivalent to the Global Plus 1D baseline agreement and meet the requirements of 39 U.S.C. § 3633. Notice at 2.

Customers for Global Plus 1D contracts are Postal Qualified Wholesalers (PQWs) and other large businesses that offer mailing services to end users for shipping articles via International Priority Airmail (IPA), International Surface Air Lift (ISAL),

¹ Notice Initiating Dockets for Recent Postal Service Negotiated Service Agreement Filings, August 7, 2017.

² Notice of the United States Postal Service of Filing a Functionally Equivalent Global Plus 1D Negotiated Service Agreement and Application for Non-Public Treatment of Materials Filed Under Seal, August 4, 2017 (Notice).

³ See PRC Order No. 3395, Order Adding Global Plus 1D to the Competitive Product List and Approval of Designation as Baseline Agreement, Docket No. CP2016-193, June 29, 2016.

Priority Mail Express International, Priority Mail International, and/or Commercial ePacket service. *Id.* at 4.

DISCUSSION

Functional Equivalence. In this proceeding, the Postal Service asserts that the “contract under consideration is substantially similar to the Global Plus 1D baseline contracts filed in Docket No. CP2016-193.” Notice at 3. The Postal Service explains that the contracts share similar cost and market characteristics. *Id.*

The Postal Service addresses differences between this contract and the baseline contract. The differences are revisions to several articles and annexes.⁴ However, the Postal Service “does not consider these specified differences affect either the fundamental service the Postal Service is offering or the fundamental structure of the contract.” *Id.* at 6. It, therefore, asserts that the instant contracts are functionally equivalent in all pertinent aspects to the contracts that are the subject of Docket No. CP2016-193. *Id.*

The Public Representative agrees that these and other differences do not alter the Global Plus 1D contract. Moreover, a review of the Postal Service’s Requests, Statements of Supporting Justification (Attachment 3), contract agreements, and supporting financial models filed separately under seal reveals that the Global Plus 1D contracts should be considered functionally equivalent to the contract subject to Docket No. CP2016-193, which serves as the baseline agreement for comparison under the Global Plus 1D grouping.⁵

Product Costs. Pursuant to 39 U.S.C. § 3633(a), the Postal Service must demonstrate that competitive product rates (1) do not result in market dominant products subsidizing competitive products, (2) ensure that each competitive product covers its attributable costs; and (3) enable competitive products as a whole to cover an

⁴ See Notices at page 5-6.

⁵ See PRC Order No. 3395, Order Adding Global Plus 1D to the Competitive Product List and Approval of Designation as Baseline Agreement, Docket Nos. CP2016-193, June 29, 2016.

appropriate share of the institutional costs of the Postal Service. The Postal Service states that this Global Plus 1D contract “fits within the parameters outlined by the Governors’ Decisions establishing and authorizing the rates for Global Plus 1D agreements.” *Id.* at 5. The financial models accompanying the Postal Service’s Request indicate that the Postal Service covers its cost and this cost coverage is similar to previous contracts deemed functionally equivalent by the Commission in previous cases, which have satisfied 39 U.S.C. § 3633. This contract, therefore, also satisfies 39 U.S.C. § 3633 although the Public Representative is uneasy with it. The Public Representative encourages the Commission to carefully consider the distribution of the mailer profile to ensure compliance.

The Public Representative respectfully submits the foregoing comments for the Commission’s consideration.

Mathew Ashford
Public Representative

901 New York Ave. NW
Washington, DC 20268-0001
202-719-0740
Matthew.Ashford@prc.gov